----Original Message-----From: Housing.Counseling

Sent: Thursday, October 27, 2011 6:55 AM To: 'sf-housing-counseling-l@hudlist.hud.gov'

Subject: HUD-HECM Guidances

To: HUD Approved Housing Counseling Agencies

This email is being sent as guidance to all HECM roster counselors. It is being sent to the person who is listed in the Housing Counseling System as HUD's Point of Contact. This person is responsible for forwarding this message to all HECM roster counselors working for your organization.

In September of 2010, HUD introduced the HECM Counseling Protocol which included both the Financial Interview Tool (FIT) and BenefitsCheckUp (BCU) in an effort to assist HECM counselors to better educate potential HECM borrowers considering a HECM loan.

On October 5, 2011, FHA Commissioner, Carol Galante, issued a letter entitled HECM Program Update, Please see http://portal.hud.gov/hudportal/documents/huddoc?id=FHACG_05OCT11_FINAL.PDF The Commissioner summarized the recent adjustments to the HECM program in response to various conditions in the reverse mortgage market. As this letter states, FHA is in the process of revising its regulations around mortgage origination and assessing the ability of borrowers to meet their loan obligations. It requires public notice and rule-making which is a lengthy process.

The Commissioner further stated that HECM lenders may implement financial assessment criteria as part of the qualification for a HECM loan prior to FHA publication of proposed uniform financial assessment guidelines. Because a financial assessment is a new part of the HECM loan origination process, it will be critical for HECM counselors to address the likelihood that these requirements may vary among lenders

As a reminder, housing counseling agencies are not permitted to promote, represent, recommend or steer a client to any specific lender. However, effective immediately, counselors must advise clients that:

- 1) Financial and credit capacity assessment guidelines may differ from lender to lender just as lenders may offer different pricing options and different product options, and:
- 2) Some lenders may implement "underwriting requirements" for HECM applicants and some may not.

These new lender guidelines and those under development by FHA are intended to ensure that applicants can responsibly meet the obligations of a HECM loan. To achieve this end, counselors should continue to reinforce the borrower's obligations to pay all required property charges and any other requirements of the loan transaction.

This message has gone out to the email addresses provided by all active housing counseling agencies in HUD's Housing Counseling Program. All Parent Agencies should make sure their sub-agencies have received this information. Please direct questions or comments to your HUD point of contact or email Housing.Counseling@hud.gov Sincerely,

Ruth Román
Director, Program Support Division
Office of Single Family Housing
Department of Housing and Urban Development